



STATE OF MICHIGAN
John Engler, Governor

DEPARTMENT OF TREASURY
Douglas B. Roberts, State Treasurer



MICHIGAN
DEPARTMENT OF
TREASURY

**Bulletin No. 8
July 17, 2002
Buildings on Leased Land
Tenant-Installed Leasehold
Improvements**

DATE: July 17, 2002

TO: Assessors
Equalization Directors

FROM: State Tax Commission (STC)

RE: PUBLIC ACT (PA) 415 OF 2000 - BUILDINGS ON LEASED LAND AND CERTAIN LEASEHOLD IMPROVEMENTS ASSESSED ON THE REAL PROPERTY ROLL STARTING IN ASSESSMENT YEAR 2003.

Attached is a copy of PA 415 of 2000 which was signed by Governor Engler on January 8, 2001 with an effective date of January 8, 2001. (The language of the law that was added by PA 415 of 2000 is underlined on the attached copy of the act.)

PA 415 of 2000 states that, STARTING IN ASSESSMENT YEAR 2003, buildings on leased land and certain leasehold improvements shall be assessed on the real property roll, NOT on the personal property roll.

This bulletin will address the implementation of PA 415 of 2000 under the following 5 headings:

- A. **Buildings on Leased Land**
- B. **Tenant-Installed Leasehold Improvements and Structures Affected by the Provisions of Michigan Compiled Law 211.8(h)**
- C. **Property Tax Classification of Buildings and Improvements on Leased Land and Tenant-Installed Leasehold Improvements**
- D. **Buildings and Improvements on Leased Real Property Which are Located in the City of Detroit AND Are Exempt as NEW PERSONAL PROPERTY Under the Provisions of MCL 211.9f.**
- E. **Delinquent Taxes on Buildings on Leased Land and Tenant-Installed Leasehold Improvements**

A) Buildings on Leased Land (BLL) Assessed on the Real Property Roll

PA 415 of 2000 provides that, STARTING IN ASSESSMENT YEAR 2003, buildings located on leased real property shall be assessed **on the real property roll** TO THE OWNER OF THE BUILDINGS (EXCEPT for certain buildings located in the City of Detroit and discussed in Paragraph D of this bulletin.)

PRIOR TO PA 415 OF 2000, buildings located on leased real property were assessed on the PERSONAL PROPERTY ROLL (unless the owner of the building was also obligated to pay the taxes on the land).

IMPORTANT NOTE: The provisions of PA 415 of 2000 DO NOT apply to the IFT roll.

QUESTION #1: How will buildings on leased land be described on the real property roll?

The STC recommends that the same legal description be used that is used to describe the land on which the building is located EXCEPT that the description should be preceded by the words "**Building on Leased Land**".

Therefore, if a building on leased land is located on Lot 1 of Assessor's Plat #1, the description on the assessment roll should read as follows:

Building on Leased Land
Lot 1 of Assessor's Plat #1

This means that if there are several buildings owned by the same person, but located on different parcels of leased land, each would have to be separately described.

If there are several buildings on the same parcel of leased land owned by different parties, it will be necessary to assess them separately and to expand the description to include more precise information such as the address of each separately assessed building.

QUESTION #2: To whom is the building on leased land assessed?

Buildings on leased land are still assessed to the owner(s) of the building, NOT to the owner of the land. This same procedure was used when buildings on leased land were assessed on the personal property roll. Starting in assessment year

2003, there is no longer a provision in the law which provides for the assessment of the land on which a BLL is located to the owner of the BLL.

QUESTION #3: Should improvements such as freestanding communication towers, freestanding outdoor advertising signs and freestanding billboards be treated the same as buildings on leased land?

Yes, freestanding communication towers, freestanding outdoor advertising signs and freestanding billboards located on leased land shall be assessed on the real property roll to the owner of the improvement, STARTING IN ASSESSMENT YEAR 2003.

QUESTION #4: Should improvements to a mobile home (such as porches, decks, etc.) located in a licensed park which is subject to the \$3.00/month fee be treated the same as buildings on leased land?

Yes, STARTING IN ASSESSMENT YEAR 2003, improvements to a mobile home located in a licensed park, that are not exempt due to the \$3.00/month specific tax, shall be assessed on the real property roll to the owner of the improvements.

QUESTION #5: How are buildings on leased land valued for assessment purposes?

Buildings on leased land (including structures and mobile home improvements described in **Question #4**) continue to be valued using the same procedures that are used for buildings which are owned by the landowners.

IMPORTANT NOTE: When a building on leased land is being separately assessed to the owner of the building, the assessor is advised to review the assessment on the land to assure that the building is not also assessed with the land.

QUESTION #6: What parcel code should be assigned to buildings on leased land assessed on the real property roll?

The STC recommends that the parcel code for a building on leased land should be the same as the parcel code of the land on which the building is located EXCEPT that the code should be followed by the initials **BLL**. It will be necessary to include additional information with the parcel code when there is more than one **BLL** under different ownership on the same parcel of land. This can be accomplished by following the initials **BLL** with numbers such as **BLL1**, **BLL2**, etc.

While the STC recommends this procedure, it also recognizes that there are various coding systems that may not be easily adapted to this recommendation.

Therefore, an alternative parcel coding may be used provided that it meets ALL of the following requirements:

- 1) The code is recognized as a real property code.
- 2) The code is not exactly the same as the code for the land on which the building is located and is not exactly the same as the parcel code for any other building on leased land on this parcel.
- 3) The code is recognized as being for a building on leased land located in the same section or subdivision as the land on which it is located. This can be accomplished by having a legal description as described in **Question #1** above.
- 4) There is a recognizable connection between the building on leased land and the parcel code for the land on which the building is located that associates the building with the land. This can be accomplished by having the legal description for the building reference the parcel code of the land on which the building is located.

EXAMPLE: If the parcel code for Lot 1 of Assessor's Plat #1 is 13-16-24-128-001, the building on leased land could be described as follows:

Building on Leased Land
Lot 1 of Assessor's Plat #1
Parcel Code of Land: 13-16-24-128-001

NOTE: If there are several buildings on the same parcel which are owned by the same person, they can all be included under one parcel code.

Question #7: Will the STC continue to require that the capitalized costs of buildings and other structures on leased land be reported on the personal property statement?

Yes, the STC will continue to require that the capitalized costs of buildings and other structures on leased land be reported on the personal property statement because this is sometimes the way the assessor discovers the existence of these buildings.

QUESTION #8: How does the change from assessing buildings on leased land on the personal property roll to assessing them on the real property roll affect NEW and LOSS for equalization purposes and ADDITIONS and LOSSES for capped value and millage rollback purposes?

1) Equalization NEW and LOSS:

When a building or other structure on leased land is assessed in 2003 on the real property roll, a change in classification has occurred (i.e., the property changes from classification as personal property in 2002 to classification as one of the 6 classifications on the real property roll in 2003.) This change in classification is

treated as an equalization LOSS from the personal property classification and as equalization NEW to the real property classification that it fits into.

2) Capped Value ADDITIONS and LOSSES

When a building or other structure on leased land is separately assessed on the real property roll in 2003, it will typically be assessed to the same person that it was assessed to in 2002 on the personal property roll. That being the case, the capped value calculation for the building on leased land will be unaffected by the change. This means that the change from being assessed on the personal property roll to being assessed on the real property roll will NOT result in any capped value ADDITIONS or LOSSES. This answer assumes that there are not also structural changes to the building in 2002 such as adding or removing a garage. A structural change would typically result in capped value ADDITIONS or LOSSES.

3) “Headlee” (MCL 211.34d) and “Truth in Taxation” (MCL 211.24e) Millage Rollback Additions and Losses

When a building on leased land is assessed in 2003 on the real property roll, a change in classification has occurred (i.e., the property changes from classification as personal property in 2002 to classification as one of the 6 classifications of real property roll in 2003.) Changes in classification ARE NOT “Headlee” or “Truth in Taxation” ADDITIONS and LOSSES. This answer assumes that there are not also structural changes to the building in 2002.

B. Leasehold Improvements (LHI) and Structures Affected by the Provisions of MCL 211.8(h)

PRIOR TO PA 415 OF 2000, MCL 211.8(h) provided that certain tenant-installed leasehold improvements were assessable **to the tenant** on the PERSONAL PROPERTY ASSESSMENT ROLL.

STARTING WITH 2003 ASSESSMENTS, PA 415 of 2000 provides that the leasehold improvements and structures assessable under MCL 211.8h are assessable **TO THE OWNER** on the REAL PROPERTY ASSESSMENT ROLL (EXCEPT for certain improvements located in the City of Detroit and discussed in Paragraph D of this bulletin.)

Question #9: Describe the tenant-installed leasehold improvements of a real property nature that are assessable under MCL 211.8(h).

It has become commonplace in the rental of various types of real estate for a tenant to lease unfinished (shell) space and then pay to finish that space to meet

his or her requirements with his or her personal funds. Usually, leases state that these tenant-installed leasehold improvements become the property of the landlord upon installation. These are the tenant-installed leasehold improvements that are assessable under MCL 211.8(h), provided they are not already included in the assessment of the real property. These improvements are real in nature. The following are examples: floors, floor finish, walls, permanent wall finish, permanently-installed storefronts, normal building mechanical systems (heating and cooling, plumbing, ventilation), etc.

Trade fixtures are articles installed by a tenant that are needed for the tenant's business and can be removed by the tenant at the end of the lease. The following are examples of trade fixtures: 1) a ceiling light that is custom made and identifies the business, 2) removable wall coverings, 3) many costs incurred by a tenant related to telephone and security systems, 4) most signs.

Tenant-installed leasehold improvements of a real property nature generally DO NOT include attached personal property such as certain telephone systems, signs, certain security equipment and other trade fixtures, all of which can be removed and taken by the tenant when the tenant vacates the premises. The reporting and assessment of trade fixtures should be separated from the reporting and assessment of LHI. Trade fixtures continue to be reported as personal property and will typically be valued using the appropriate original cost multipliers from Tables A through F.

NOTE: Assessable Leasehold Improvements DO NOT include machine foundations and electrical drops from the main electrical line (or bus duct) down to a machine. These items should be reported along with the piece of machinery they serve.

IMPORTANT NOTE: In the past, when a property was subject to a long term market lease made prior to 1984, tenant-installed leasehold improvements could not be assessed to the owner of the real estate. They could only be assessed to the tenant on the personal property roll. **Starting in 2003**, PA 415 of 2000 requires that tenant-installed leasehold improvements of a real property nature be assessed to the owner of the leasehold improvements, even if the property is subject to a long term market lease made prior to 1984.

Question #10: Who is the owner of tenant-installed leasehold improvements of a real property nature?

Typically, tenant-installed leasehold improvements of a real property nature become the property of the landlord upon installation. This means that, **STARTING IN 2003**, these tenant-installed leasehold improvements of a real property nature are typically assessable to the landlord as part of the real property assessment.

QUESTION #11: How will leasehold improvements (LHI) assessable under MCL 211.8(h) be described on the assessment roll?

There are two answers to this question depending on whether the LHI are owned by the landlord or the tenant.

1) Tenant-Installed Leasehold Improvements (LHI) of a Real Property Nature Which Become the Property of the Landlord Upon Installation.

As discussed earlier in **Question #10**, tenant-installed leasehold improvements of a real property nature typically become the property of the landlord upon installation. The **tenant** will report these LHI in a separate section of the personal property statement.

Since the landlord will already have a real property assessment, the additional assessment for tenant-installed LHI of a real property nature should be added to the landlord's existing real property assessment. No separate description on the real property assessment roll will be needed. However, the STC recommends that the assessor keep separate subsidiary records for the LHI of each tenant to assist in the valuation of these LHI and to assure that they are handled properly in the income approach to value.

2) Tenant-Installed Leasehold Improvements (LHI) Which Remain the Property of the Tenant

While tenant-installed leasehold improvements (LHI) of a real property nature typically become the property of the landlord upon installation, occasionally they may remain the property of the tenant. When this occurs, the tenant will indicate that this is the case by checking a box in Section M of the personal property statement.

Since the tenant does not already have a real property assessment on this land parcel, it is necessary that a description be created.

The STC recommends that the same legal description be used that is used to describe the land on which the leasehold improvements are located EXCEPT that the description should be preceded by the words **"Leasehold Improvements on Real Property"**. Usually, the name of the owner of the LHI will indicate which property is being assessed. However, there may be instances where the business name of the tenant needs to be included such as when one company operates several different shoe stores in the same shopping center.

Therefore, if leasehold improvements assessable under MCL 211.8(h) are located on Lot 1 of Assessor's Plat #1, the description on the assessment roll should read as follows:

Leasehold Improvements on Real Property
Lot 1 of Assessor's Plat #1

This means that if there are multiple leasehold improvements installed by the same person but located on different parcels of land, each would have to be separately described. The same is true for multiple leasehold improvements under separate ownership that are located on the same real parcel (for example, an incubator development).

QUESTION #12: What parcel code should be assigned to tenant-installed leasehold improvements assessed to the tenant on the real property roll?

The STC recommends that the parcel code for tenant-installed leasehold improvements should be the same as the parcel code of the land on which the leasehold improvements are located EXCEPT that the code should be followed by the initials **LHI**. It will be necessary to include additional information with the parcel code when there is more than one assessment for **LHI** on the same parcel of land. This can be accomplished by following the initials **LHI** with numbers such as **LHI1**, **LHI2**, etc.

While the STC recommends this procedure, it also recognizes that there are various coding systems that may not be easily adapted to this recommendation. Therefore, an alternative parcel coding maybe used provided that it meets ALL of the following requirements:

- 1) The code is recognized as a real property code.
- 2) The code is not exactly the same as the code for the land on which the leasehold improvements are located or for other LHI under separate ownership on the same real property parcel.
- 3) The code is recognized as being for leasehold improvements located in the same section or subdivision as the land on which they are located. This can be accomplished by having a legal description as described in **Question #11** above.
- 4) There is a recognizable connection between the leasehold improvements and the parcel code for the land on which they are located that associates the leasehold improvements with the land. This can be accomplished by having the legal description for the leasehold improvements reference the parcel code of the land on which they are located.

EXAMPLE: If the parcel code for Lot 1 of Assessor's Plat #1 is 13-16-24-128-001, the leasehold improvements could be described as follows:

Leasehold Improvements
Lot 1 of Assessor's Plat #1
Parcel Code of Land: 13-16-24-128-001

QUESTION #13: How are tenant-installed leasehold improvements (assessable under MCL 211.8(h)) valued for assessment purposes?

Michigan Compiled Law (MCL) 211.8(h) specifically cautions the assessor not to add a separate value for LHI if the value of the LHI is already included in the assessment of the real property (in other words AVOID DOUBLE ASSESSING).

Caution: The assessor must exercise great caution when assessing the value of leasehold improvements of a real property nature to the landlord on the REAL PROPERTY roll. This is true because, if the assessor is using the cost schedules contained in Volume II of the Assessor's Manual to appraise the building, the REAL PROPERTY assessment will frequently already include these same items. This could result in double taxation.

EXAMPLE: When pricing a store using the Calculator Section of Volume II of the Assessor's Manual, the assessor is including the value of a certain amount of floor finish and wall finish etc., with the REAL PROPERTY assessment on the building. If the assessor is also including these items as an addition (for LHI) to the real property assessment of the landlord, DOUBLE ASSESSING will occur which is illegal.

Tenant-installed leasehold improvements assessable under MCL 211.8(h) are still appraised using Table A of the STC personal property multiplier tables found on page A-2 of STC Bulletin 12 of 1999. This table typically results in valid indicators of true cash value for tenant-installed leasehold improvements of a real property nature.

Question #14: Will the STC continue to require that tenant-installed leasehold improvements be reported on the personal property statement?

Yes, the STC will continue to require that tenant-installed leasehold improvements be reported on the personal property statement because this is frequently the way the assessor discovers the existence of these improvements.

QUESTION #15: How does the change from assessing tenant-installed leasehold improvements of a real property nature on the personal property roll to assessing them on the real property roll affect NEW and LOSS for equalization purposes and ADDITIONS and LOSSES for capped value and millage rollback purposes?

1) Equalization NEW and LOSS

When tenant-installed leasehold improvements of a real property nature are assessed in 2003 on the real property roll, a change in classification has occurred (i.e., the property changes from classification as personal property in 2002 to classification as one of the 6 classifications on the real property roll in 2003.) This change in classification is treated as an equalization LOSS from the personal property classification and as equalization NEW to the real property classification that it fits into. However, since equalization NEW and LOSS is typically calculated for personal property by comparing last year's assessment for individual properties to this year's assessment and treating the total difference as either NEW or LOSS, the loss of assessed value for LHI may be offset by new acquisitions in the most recent year or personal property moved in from another location.

2) Capped value ADDITIONS and LOSSES

There are 2 separate scenarios involving tenant-installed leasehold improvements (LHI) of a real property nature. The first is when the LHI become the property of the **landlord** upon installation. The second is when the LHI remain the property of the **tenant**.

Scenario #1: When the LHI become the property of the landlord upon installation, they are an ADDITION in the capped value formula because they represent new property never before assessed to the landlord (and now assessed along with other real property already assessed to the landlord in the prior year.) The amount of the ADDITION is the same amount as would have been assessed to the tenant if it were not for the change caused by PA 415 of 2000. However, the LHI would generally not be treated as capped value LOSSES to the personal property assessment of the tenant because it is not ordinarily necessary to calculate capped value for personal property. This is true because the state equalized value of personal property is typically lower than the capped value of the property. (Please see pages 4 and 5 of STC Bulletin 1 of 2000 for exceptions to this rule for personal property that increases in value from year to year.)

Scenario #2: When the LHI remain the property of the tenant upon installation, they will typically be separately assessed to the tenant as real property in 2003. This is true because usually the tenant does not own any other real property at this location. Since these tenant-installed LHI are usually valued using Table A of the

STC personal property multiplier tables, they will be expected to go down in value from year to year. That being the case, it will usually not be necessary to calculate capped value for these LHI assessed on the real property roll because the state equalized value will be lower than the capped value. For the same reason, it will typically not be necessary to calculate capped value for the personal property still assessed to the tenant on the **personal property** assessment roll.

3) “Headlee” (MCL 211.34d and “Truth in Taxation” (MCL 211.24e) Millage Rollback ADDITIONS and LOSSES

When tenant-installed leasehold improvements of a real property nature are assessed in 2003 on the real property roll, a change in classification has occurred (i.e., the property changes from classification as personal property in 2002 to classification as one of the 6 classifications of real property in 2003.) Since changes in classification ARE NOT “Headlee” or “Truth in Taxation” ADDITIONS and LOSSES, the increase on the real property roll would not be ADDITIONS. (This answer assumes that there are not also structural changes to the property in 2002.) The procedure for the calculation of the “Headlee” Millage Reduction Fraction for most personal property states that all changes in taxable value are to be treated as either ADDITIONS or LOSSES. (This procedure does not apply to buildings on leased land.) **However, there is an exception to this procedure for assessment year 2003.**

For assessment year 2003 only, the assessor is advised that the taxable value of leasehold improvements removed from the personal property roll and transferred to the real property roll shall not be treated as LOSSES in the “Headlee” and “Truth in Taxation” calculations. In order to implement this exception, the assessor shall use the following procedure:

- 1) Determine the “Headlee” and “Truth in Taxation” taxable value totals for personal property by using the regular procedure which states that all changes in taxable value on the personal property roll are either ADDITIONS or LOSSES.
- 2) Calculate the **2002** taxable values for the LHI that will be transferred to the real property roll in **2003**.
- 3) Total the amount of the **2002** taxable values calculated in step 2.
- 4) Deduct the amount in step 3 from the taxable values of LOSSES for the taxing jurisdiction.

C. Property Tax Classification of Buildings and Improvements on Leased Land and Tenant-Installed Leasehold Improvements Assessed on the Real Property Roll

STARTING IN ASSESSMENT YEAR 2003, PA 415 of 2000 provides that buildings on leased land (EXCEPT for certain buildings located in the City of Detroit) shall be

classified the same as the land upon which the buildings are located. (Please see Paragraph D of this bulletin regarding certain buildings located in the City of Detroit.)

The requirement to classify a building on leased land the same as the land upon which the building is located applies only to BUILDINGS. It DOES NOT apply to other improvements such as freestanding communication towers, freestanding outdoor advertising signs and freestanding billboards, and tenant-installed leasehold improvements. These items are classified according to the previously existing law dealing with classification contained in section 34c of the General Property Tax Act (MCL 211.34c). For example, freestanding communication towers, freestanding outdoor advertising signs, and freestanding billboards would generally be classified as commercial real property starting in 2003.

Occasionally, a building on leased land may be located on land that is exempt. An example would be a house built on land-owned by the State of Michigan. In this situation, the STC recommends that the building on leased land be classified based on the most probable use of the building (in this case residential) since the exempt land is not classified.

IMPORTANT NOTE: If a building on leased land which is used for industrial purposes is located on land classified agricultural, the law requires that the building shall be classified agricultural (because the land is classified agricultural). However, this does not mean that the building will receive the Qualified Agricultural Property Exemption from the 18 mills of local school operating tax. This is true because MCL 211.7dd(e) states that property used for commercial or industrial purposes does not qualify for the exemption even though it is classified agricultural. Please see pages 3 and 4 of STC Bulletin 4 of 1997.

D. Buildings and Improvements on Leased Real Property Which Are Located in the City of Detroit AND are Exempt as NEW PERSONAL PROPERTY Under the Provisions of MCL 211.9f.

PA 415 of 2000 makes special provisions for certain **buildings and improvements exempt under section 9f**. These special provisions only apply to certain property located in the City of Detroit. Because they only apply to the City of Detroit, these special provisions will not be covered in this bulletin. Anyone requiring information about these special provisions may call Ms. Dianne Wright, Manager of the Exemption Programs Section at (517) 373-2408.

E. Delinquent Taxes on Buildings on Leased Land and Tenant-Installed Leasehold Improvements

Attached to this bulletin is a copy of Public Act (PA) 479 of 2002 which was signed by Governor Engler on June 27, 2002 with an effective date of June 27, 2002.

Public Act 479 of 2002 provides that, starting with 2003 taxes, delinquent taxes on buildings on leased land and on separately assessed tenant-installed leasehold improvements of a real property nature shall be collected in the same manner as unpaid taxes levied on personal property. The State Tax Commission does not consider this to apply to most tenant-installed leasehold improvements of a real property nature that become the property of the landlord upon installation because they would typically be assessed to the landlord along with other real property including the land. In this latter case, delinquent taxes should be collected in the same manner as unpaid taxes on real property.

Please see the underlined language of PA 479 of 2002 for more information about delinquent taxes.

Act No. 415
Public Acts of 2000
Approved by the Governor
January 8, 2001
Filed with the Secretary of State
January 8, 2001
EFFECTIVE DATE: January 8, 2001

**STATE OF MICHIGAN
90TH LEGISLATURE
REGULAR SESSION OF 2000**

Introduced by Reps. Cassis, Woronchak, Koetje, Patterson, Allen, Gosselin, Kukuk, Vear, Law and DeVuyt

ENROLLED HOUSE BILL No. 4373

AN ACT to amend 1893 PA 206, entitled "An act to provide for the assessment of rights and interests, including leasehold interests, in property and the levy and collection of taxes on property, and for the collection of taxes levied; making those taxes a lien on the property taxed, establishing and continuing the lien, providing for the sale or forfeiture and conveyance of property delinquent for taxes, and for the inspection and disposition of lands bid off to the state and not redeemed or purchased; to provide for the establishment of a delinquent tax revolving fund and the borrowing of money by counties and the issuance of notes; to define and limit the jurisdiction of the courts in proceedings in connection with property delinquent for taxes; to limit the time within which actions may be brought; to prescribe certain limitations with respect to rates of taxation; to prescribe certain powers and duties of certain officers, departments, agencies, and political subdivisions of this state; to provide for certain reimbursements of certain expenses incurred by units of local government; to provide penalties for the violation of this act; and to repeal acts and parts of acts," by amending sections 2, 8, 9f, 14, and 34c (MCL 211.2, 211.8, 211.9f, 211.14, and 211.34c), section 2 as amended by 1993 PA 313, section 8 as amended by 1983 PA 254, section 9f as amended by 1999 PA 20, and section 34c as amended by 1996 PA 476.

The People of the State of Michigan enact:

Sec. 2. (1) For the purpose of taxation, real property includes all of the following:

(a) All land within this state, all buildings and fixtures on the land, and all appurtenances to the land, except as expressly exempted by law.

(b) All real property owned by this state or purchased or condemned for public highway purposes by any board, officer, commission, or department of this state and sold on land contract, notwithstanding the fact that the deed has not been executed transferring title.

(c) For taxes levied after December 31, 2002, buildings and improvements located upon leased real property, except buildings and improvements exempt under section 9f, if the value of the buildings or improvements is not otherwise included in the assessment of the real property. However, buildings and improvements located on leased real property shall not be treated as real property unless they would be treated as real property if they were located on real property owned by the taxpayer.

(2) The taxable status of persons and real and personal property for a tax year shall be determined as of each December 31 of the immediately preceding year, which is considered the tax day, any provisions in the charter of any city or village to the contrary notwithstanding. An assessing officer is not restricted to any particular period in the preparation of the assessment roll but may survey, examine, or review property at any time before or after the tax day.

(3) Notwithstanding a provision to the contrary in any law, if real property is acquired for public purposes by purchase or condemnation, all general property taxes, but not penalties, levied during the 12 months immediately

preceding, but not including, the day title passes to the public agency shall be prorated in accordance with this subsection. The seller or condemnnee is responsible for the portion of taxes from the levy date or dates to, but not including, the day title passes and the public agency is responsible for the remainder of the taxes. If the date that title will pass cannot be ascertained definitely and an agreement in advance to prorate taxes is desirable, an estimated date for the passage of title may be agreed to. In the absence of an agreement, the public agency shall compute the proration of taxes as of the date title passes. The question of proration of taxes shall not be considered in any condemnation proceeding. As used in this subsection, "levy date" means the day on which general property taxes become due and payable. In addition to the portion of taxes for which the public agency is responsible under the provisions of this subsection, the public agency is also responsible for all general property taxes levied on or after the date title passes and before the property is removed from the tax rolls.

(4) In a real estate transaction between private parties in the absence of an agreement to the contrary, the seller is responsible for that portion of the annual taxes levied during the 12 months immediately preceding, but not including, the day title passes, from the levy date or dates to, but not including, the day title passes and the buyer is responsible for the remainder of the annual taxes. As used in this subsection, "levy date" means the day on which a general property tax becomes due and payable.

Sec. 8. For the purposes of taxation, personal property includes all of the following:

(a) All goods, chattels, and effects within this state.

(b) All goods, chattels, and effects belonging to inhabitants of this state, located without this state, except that property actually and permanently invested in business in another state shall not be included.

(c) All interests owned by individuals in real property, the fee title to which is in this state or the United States, except as otherwise provided in this act.

(d) For taxes levied before January 1, 2003, buildings and improvements located upon leased real property, except if the value of the real property is also assessed to the lessee or owner of those buildings and improvements. For taxes levied after December 31, 2002, buildings and improvements located upon leased real property, except buildings and improvements exempt under section 9f, shall be assessed as real property under section 2 to the owner of the buildings or improvements in the local tax collecting unit in which the buildings or improvements are located if the value of the buildings or improvements is not otherwise included in the assessment of the real property. For taxes levied after December 31, 2001, buildings and improvements exempt under section 9f and located on leased real property shall be assessed as personal property.

(e) Tombs or vaults built within any burial grounds and kept for hire or rent, in whole or in part, and the stock of a corporation or association owning the tombs, vaults, or burial grounds.

(f) All other personal property not enumerated in this section and not especially exempted by law.

(g) The personal property of gas and coke companies, natural gas companies, electric light companies, waterworks companies, hydraulic companies, and pipe line companies transporting oil or gas as public or common carriers, to be assessed in the local tax collecting unit in which the personal property is located. The mains, pipes, supports, and wires of these companies, including the supports and wire or other line used for communication purposes in the operation of those facilities, and the rights of way and the easements or other interests in real property by virtue of which the mains, pipes, supports, and wires are erected and maintained, shall be assessed as personal property in the local tax collecting unit where laid, placed, or located. Interests in underground rock strata used for gas storage purposes, whether by lease or ownership separate from the surface of real property, shall be separately valued and assessed as personal property in the local tax collecting unit in which it is located to the person who holds the interest. Interests in underground rock strata shall be reported as personal property to the appropriate assessing officer for all property descriptions included in the storage field in the local tax collecting unit and a separate valuation shall be assessed for each school district. The personal property of street railroad, plank road, cable or electric railroad or transportation companies, bridge companies, and all other companies not required to pay a specific tax to this state in lieu of all other taxes, shall, except as otherwise provided in this section, be assessed in the local tax collecting unit in which the property is located, used, or laid, and the track, road, or bridge of a company is considered personal property. None of the property assessable as personal property under this subdivision shall be affected by any assessment or tax levied on the real property through or over which the personal property is laid, placed, or located, nor shall any right of way, easement, or other interest in real property, assessable as personal property under this subdivision, be extinguished or otherwise affected in case the real property subject to assessment is sold in the exercise of the taxing power.

(h) For taxes levied before January 1, 2003, during the tenancy of a lessee, leasehold improvements and structures installed and constructed on real property by the lessee, provided and to the extent the improvements or structures add to the taxable value of the real property notwithstanding that the real property is encumbered by a lease agreement, and the value added by the improvements or structures is not otherwise included in the assessment of the real property or not otherwise assessable under subdivision (j). The cost of leasehold improvements and structures on real property shall not be the sole indicator of value. Leasehold improvements and structures assessed under this subdivision shall be assessed to the lessee. For taxes levied after December 31, 2002, leasehold improvements and structures installed and

constructed on leased real property, except leasehold improvements and structures exempt under section 9f, shall be assessed as real property under section 2 to the owner of the leasehold improvements or structures in the local tax collecting unit in which the leasehold improvements or structures are located if the value of the leasehold improvements or structures is not otherwise included in the assessment of the real property or otherwise assessable under subdivision (j). For taxes levied after December 31, 2001, leasehold improvements and structures exempt under section 9f and located on leased real property shall be assessed as personal property to the lessee.

(i) A leasehold estate received by a sublessor from which the sublessor receives net rentals in excess of net rentals required to be paid by the sublessor except to the extent that the excess rentals are attributable to the installation and construction of improvements and structures assessed under subdivision (h) or (j) or included in the assessment of the real property. For purposes of this act, a leasehold estate is considered to be owned by the lessee receiving additional net rentals. A lessee in possession is required to provide the assessor with the name and address of its lessor. Taxes collected under this act on leasehold estates shall become a lien against the rentals paid by the sublessee to the sublessor.

(j) To the extent not assessed as real property, a leasehold estate of a lessee created by the difference between the income that would be received by the lessor from the lessee on the basis of the present economic income of the property as defined and allowed by section 27(4), minus the actual value to the lessor under the lease. This subdivision does not apply to property if subject to a lease entered into before January 1, 1984 for which the terms of the lease governing the rental rate or the tax liability have not been renegotiated after December 31, 1983. This subdivision does not apply to a nonprofit housing cooperative. As used in this subdivision, "nonprofit cooperative housing corporation" means a nonprofit cooperative housing corporation that is engaged in providing housing services to its stockholders and members and that does not pay dividends or interest upon stock or membership investment but that does distribute all earnings to its stockholders or members.

Sec. 9f. (1) The governing body of an eligible local assessing district may adopt a resolution to exempt from the collection of taxes under this act all new personal property owned or leased by an eligible business located in 1 or more eligible districts designated in the resolution. The clerk of the eligible local assessing district shall notify in writing the assessor of the local tax collecting unit in which the eligible district is located and the legislative body of each taxing unit that levies ad valorem property taxes in the eligible local assessing district in which the eligible district is located. Before acting on the resolution, the governing body of the eligible local assessing district shall afford the assessor and a representative of the affected taxing units an opportunity for a hearing.

(2) The exemption under this section is effective on the December 31 immediately succeeding the adoption of the resolution by the governing body of the eligible local assessing district and shall continue in effect for a period specified in the resolution. A copy of the resolution shall be filed with the state tax commission. A resolution is not effective unless approved by the state tax commission as provided in subsection (3).

(3) Not more than 60 days after receipt of a copy of the resolution adopted under subsection (1), the state tax commission shall approve or disapprove the resolution. The state treasurer, with the written concurrence of the president of the Michigan strategic fund, shall advise the state tax commission as to whether exempting new personal property of the eligible business is necessary to reduce unemployment, promote economic growth, and increase capital investment in this state.

(4) Notwithstanding the amendatory act that added section 2(1)(c), all of the following shall apply to an exemption under this section that was approved by the state tax commission on or before April 30, 1999, regardless of the effective date of the exemption:

(a) The exemption shall be continued for the term authorized by the resolution adopted by the governing body of the eligible local assessing district and approved by the state tax commission with respect to buildings and improvements constructed on leased real property during the term of the exemption if the value of the real property is not assessed to the owner of the buildings and improvements.

(b) The exemption shall not be impaired or restricted with respect to buildings and improvements constructed on leased real property during the term of the exemption if the value of the real property is not assessed to the owner of the buildings and improvements.

(5) As used in this section:

(a) "Eligible business" means, effective August 7, 1998, a business engaged primarily in manufacturing, mining, research and development, wholesale trade, or office operations. Eligible business does not include a casino, retail establishment, professional sports stadium, or that portion of an eligible business used exclusively for retail sales. As used in this subdivision, "casino" means a casino regulated by this state pursuant to the Michigan gaming control and revenue act, the Initiated Law of 1996, MCL 432.201 to 432.226, and all property associated or affiliated with the operation of a casino, including, but not limited to, a parking lot, hotel, motel, or retail store.

(b) "Eligible district" means 1 or more of the following:

(i) An industrial development district as that term is defined in 1974 PA 198, MCL 207.551 to 207.572.

(ii) A renaissance zone as that term is defined in the Michigan renaissance zone act, 1996 PA 376, MCL 125.2681 to 125.2696.

(iii) An enterprise zone as that term is defined in the enterprise zone act, 1985 PA 224, MCL 125.2101 to 125.2123.

(iv) A brownfield redevelopment zone as that term is designated under the brownfield redevelopment financing act, 1996 PA 381, MCL 125.2651 to 125.2672.

(v) An empowerment zone designated under subchapter U of chapter 1 of the internal revenue code of 1986, 26 U.S.C. 1391 to 1397C and 1397E to 1397F.

(vi) An authority district or a development area as those terms are defined in the tax increment finance authority act, 1980 PA 450, MCL 125.1801 to 125.1830.

(vii) An authority district as that term is defined in the local development financing act, 1986 PA 281, MCL 125.2151 to 125.2174.

(viii) A downtown district or a development area as those terms are defined in 1975 PA 197, MCL 125.1651 to 125.1681.

(c) "Eligible distressed area" means that term as defined in section 11 of the state housing development authority act of 1966, 1966 PA 346, MCL 125.1411.

(d) "Eligible local assessing district" means a city, village, or township that contains an eligible distressed area.

(e) "New personal property" means personal property that was not previously subject to tax under this act and that is placed in an eligible district after a resolution under subsection (1) is approved by the eligible local assessing district. As used in this subdivision, for exemptions approved by the state tax commission under subsection (3) after April 30, 1999, new personal property does not include buildings described in section 14(6) and personal property described in section 8(h), (i), and (j).

Sec. 14. (1) All goods and chattels located in a local tax collecting unit other than that in which the owner of the goods or chattels resides shall be assessed in the local tax collecting unit in which the goods or chattels are located.

(2) All animals kept throughout the year in a local tax collecting unit other than that in which the owner of the animals resides shall be assessed to the owner or the person in possession of the animals in the local tax collecting unit in which the animals are kept.

(3) The tangible personal property of minors under guardianship shall be assessed to the guardian in the local tax collecting unit in which the guardian resides, and the personal property of any other person under guardianship shall be assessed to the guardian in the local tax collecting unit in which the ward resides.

(4) Tangible personal property belonging to the estate of a deceased person, in the hands of the executors, administrators, or trustees appointed under the last will and testament of the deceased person, or by order of any court of competent jurisdiction, shall be assessed to the executors, administrators, or trustees in the local tax collecting unit and in the school district in which the deceased person resided, until the executors, administrators, or trustees give notice to the appropriate assessing officer that the estate has been distributed. If the deceased person was a nonresident of this state, the property shall be assessed in the local tax collecting unit in which it is located, to the executors, administrators, or trustees or to the person in possession of the property.

(5) Tangible personal property under the control of a trustee or agent, whether a corporation or a natural person, may be assessed to the trustee or agent in the local tax collecting unit in which the trustee or agent resides, except as otherwise provided. Personal property mortgaged or pledged is considered the property of the person in possession of that personal property and may be assessed to that person. Personal property not otherwise taxed under this act that is in the possession of any person, firm, or corporation using that property in connection with a business conducted for profit is considered the property of that person, firm, or corporation for taxation and shall be assessed to that person, firm, or corporation.

(6) For taxes levied before January 1, 2003, a building situated upon real property of the United States or of this state, or upon the real property of any person, firm, association, or corporation if the owner of the building is not the owner of the fee title to that real property, and if the value of the real property is not assessed to the owner of the building, shall be assessed as personal property to the owner or occupant of the building in the local tax collecting unit in which the real property is located. The building is subject to sale for taxes in the same manner as provided for the sale of personal property. It is not necessary to remove a building for the purpose of sale. For taxes levied after December 31, 2002, buildings and improvements, except buildings and improvements exempt under section 9f, located upon real property of the United States or of this state, or upon the real property of any person, firm, association, or corporation if the owner of the building is not the owner of the fee title to that real property is considered real property for the purposes of taxation and assessment, and shall be assessed as real property under section 2 to the owner or occupant of the building in the local tax collecting unit in which the buildings are located if the value of the building is not otherwise included in the assessment of the real property. For taxes levied after December 31, 2001, buildings and improvements exempt under section 9f that are located upon the real property of the United States or of this state, or

upon the real property of any person, firm, association, or corporation if the owner of the building is not the owner of the fee title to that real property shall be assessed as personal property to the owner or occupant of the building in the local tax collecting unit in which the real property is located.

(7) Tangible personal property of nonresidents of this state and all forest products, owned by residents or nonresidents, or estates of deceased persons, shall be assessed in the local tax collecting unit in which the tangible personal property or forest products are located, to the person or corporation in control of the premises, store, mill, dockyard, piling ground, place of storage, or warehouse where the tangible personal property or forest products are located, on December 31. If tangible personal property or forest products are in transit to a local tax collecting unit within this state, the tangible personal property or forest products shall be assessed in that local tax collecting unit. If tangible personal property or forest products are in transit to some place without this state, the tangible personal property or forest products shall be assessed at the local tax collecting unit in this state nearest to the last boom or sorting gap of the stream in or bordering on this state in which the tangible personal property or forest products will naturally be last floated during transit, and if the transit of the tangible personal property or forest products is to be other than through any watercourse in or bordering on this state, then the assessment shall be made in the local tax collecting unit at the point at which the tangible personal property or forest products will naturally leave this state in the ordinary course of transit. The tangible personal property or forest products in transit to any place without this state shall be assessed to the owner or the person or corporation in possession or control of the tangible personal property or forest products. If the transit of the tangible personal property or forest products will pass through the booms or sorting gaps or into the places of storage of any person or corporation operating upon any stream, then the tangible personal property or forest products may be assessed to that person or corporation. A person or corporation assessed for any tangible personal property or forest products belonging to a nonresident of this state is entitled to recover from the owner of the tangible personal property or forest products by a suit in attachment, garnishment, or for money had and received, any amount that the person or corporation assessed is compelled to pay because of the assessment, shall have a lien upon the tangible personal property or forest products as a security against loss or damage because of being assessed for the tangible personal property or forest products of another, and may retain possession of the tangible personal property or forest products until that lien is satisfied. A person or corporation assessed is not compelled to pay taxes on account of that assessment unless the appropriate assessing officer, at the time of assessment, serves notice in writing on the person or corporation in control of the premises, store, mill, dockyard, piling ground, place of storage, or warehouse that the assessment will be made. An owner or person interested in the tangible personal property or forest products may secure the release of the tangible personal property or forest products from that lien by giving to the person or corporation assessed a bond in an amount double the probable tax to be assessed on the tangible personal property or forest products, but not less than \$200.00, with 2 sufficient sureties, conditioned for the payment of the tax by the owner or person interested and the saving of the person or corporation assessed from payment of the assessment and from costs, damages, and expenses on account of nonpayment, which bond as to amount and sufficiency of sureties shall be approved by the county clerk of the county in which the assessment is made.

Sec. 34c. (1) Not later than the first Monday in March in each year, the assessor shall classify every item of assessable property according to the definitions contained in this section. Following the March board of review, the assessor shall tabulate the total number of items and the valuations as approved by the board of review for each classification and for the totals of real and personal property in the local tax collecting unit. The assessor shall transmit to the county equalization department and to the state tax commission the tabulation of assessed valuations and other statistical information the state tax commission considers necessary to meet the requirements of this act and 1911 PA 44, MCL 209.1 to 209.8.

(2) The classifications of assessable real property are described as follows:

(a) Agricultural real property includes parcels used partially or wholly for agricultural operations, with or without buildings, and parcels assessed to the department of natural resources and valued by the state tax commission. As used in this subdivision, "agricultural operations" means the following:

- (i) Farming in all its branches, including cultivating soil.
- (ii) Growing and harvesting any agricultural, horticultural, or floricultural commodity.
- (iii) Dairying.
- (iv) Raising livestock, bees, fish, fur-bearing animals, or poultry.
- (v) Turf and tree farming.

(vi) Performing any practices on a farm incident to, or in conjunction with, farming operations. A commercial storage, processing, distribution, marketing, or shipping operation is not part of agricultural operations.

(b) Commercial real property includes the following:

(i) Platted or unplatted parcels used for commercial purposes, whether wholesale, retail, or service, with or without buildings.

(ii) Parcels used by fraternal societies.

- (iii) Parcels used as golf courses, boat clubs, ski areas, or apartment buildings with more than 4 units.
- (c) Developmental real property includes parcels containing more than 5 acres without buildings, or more than 15 acres with a market value in excess of its value in use. Developmental real property may include farm land or open space land adjacent to a population center, or farm land subject to several competing valuation influences.
- (d) Industrial real property includes the following:
 - (i) Platted or unplatted parcels used for manufacturing and processing purposes, with or without buildings.
 - (ii) Parcels used for utilities sites for generating plants, pumping stations, switches, substations, compressing stations, warehouses, rights-of-way, flowage land, and storage areas.
 - (iii) Parcels used for removal or processing of gravel, stone, or mineral ores, whether valued by the local assessor or by the state geologist.
- (e) Residential real property includes the following:
 - (i) Platted or unplatted parcels, with or without buildings, and condominium apartments located within or outside a village or city, which are used for, or probably will be used for, residential purposes.
 - (ii) Parcels that are used for, or probably will be used for, recreational purposes, such as lake lots and hunting lands, located in an area used predominantly for recreational purposes.
- (f) Timber-cutover real property includes parcels that are stocked with forest products of merchantable type and size, cutover forest land with little or no merchantable products, and marsh lands or other barren land. However, when a typical purchase of this type of land is for residential or recreational uses, the classification shall be changed to residential.
- (3) The classifications of assessable personal property are described as follows:
 - (a) Agricultural personal property includes farm buildings on leased land and any agricultural equipment and produce not exempt by law.
 - (b) Commercial personal property includes the following:
 - (i) All equipment, furniture, and fixtures on commercial parcels, and inventories not exempt by law.
 - (ii) Outdoor advertising signs and billboards.
 - (iii) Well drilling rigs and other equipment attached to a transporting vehicle but not designed for operation while the vehicle is moving on the highway.
 - (iv) Unlicensed commercial vehicles or commercial vehicles licensed as special mobile equipment or by temporary permits.
 - (v) Commercial buildings on leased land.
 - (c) Industrial personal property includes the following:
 - (i) All machinery and equipment, furniture and fixtures, and dies on industrial parcels, and inventories not exempt by law.
 - (ii) Industrial buildings on leased land.
 - (iii) Personal property of mining companies valued by the state geologist.
 - (d) Residential personal property includes a home, cottage, or cabin on leased land, and a mobile home that would be assessable as real property under section 2a except that the land on which it is located is not assessable because the land is exempt.
 - (e) Utility personal property includes the following:
 - (i) Electric transmission and distribution systems, substation equipment, spare parts, gas distribution systems, and water transmission and distribution systems.
 - (ii) Oil wells and allied equipment such as tanks, gathering lines, field pump units, and buildings.
 - (iii) Inventories not exempt by law.
 - (iv) Gas wells with allied equipment and gathering lines.
 - (v) Oil or gas field equipment stored in the open or in warehouses such as drilling rigs, motors, pipes, and parts.
 - (vi) Gas storage equipment.
 - (vii) Transmission lines of gas or oil transporting companies.
 - (viii) Utility buildings on leased land.
- (4) For taxes levied before January 1, 2003, buildings on leased land of any classification are improvements where the owner of the improvement is not the owner of the land or fee, the value of the land is not assessed to the owner of the building, and the improvement has been assessed as personal property pursuant to section 14(6). For taxes levied after December 31, 2002, buildings located upon leased land, except buildings exempt under section 9f, shall be assessed

as real property under section 2 and shall bear the same classification as the parcel upon which the building is located. For taxes levied after December 31, 2001, buildings exempt under section 9f shall be assessed as personal property.

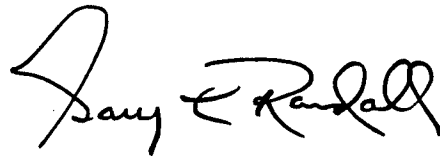
(5) If the total usage of a parcel includes more than 1 classification, the assessor shall determine the classification that most significantly influences the total valuation of the parcel.

(6) An owner of any assessable property who disputes the classification of that parcel shall notify the assessor and may protest the assigned classification to the March board of review. An owner or assessor may appeal the decision of the March board of review by filing a petition with the state tax commission not later than June 30 in that tax year. The state tax commission shall arbitrate the petition based on the written petition and the written recommendations of the assessor and the state tax commission staff. An appeal may not be taken from the decision of the state tax commission regarding classification complaint petitions and the state tax commission's determination is final and binding for the year of the petition.

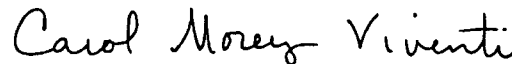
(7) The department of treasury may appeal the classification of any assessable property to the residential and small claims division of the Michigan tax tribunal not later than December 31 in the tax year for which the classification is appealed.

(8) This section shall not be construed to encourage the assessment of property at other than the uniform percentage of true cash value prescribed by this act.

This act is ordered to take immediate effect.



Clerk of the House of Representatives.



Secretary of the Senate.

Approved _____

Governor.

Act No. 479
Public Acts of 2002
Approved by the Governor
June 27, 2002
Filed with the Secretary of State
June 27, 2002
EFFECTIVE DATE: June 27, 2002

**STATE OF MICHIGAN
91ST LEGISLATURE
REGULAR SESSION OF 2002**

Introduced by Rep. Cassis

ENROLLED HOUSE BILL No. 5587

AN ACT to amend 1893 PA 206, entitled "An act to provide for the assessment of rights and interests, including leasehold interests, in property and the levy and collection of taxes on property, and for the collection of taxes levied; making those taxes a lien on the property taxed, establishing and continuing the lien, providing for the sale or forfeiture and conveyance of property delinquent for taxes, and for the inspection and disposition of lands bid off to the state and not redeemed or purchased; to provide for the establishment of a delinquent tax revolving fund and the borrowing of money by counties and the issuance of notes; to define and limit the jurisdiction of the courts in proceedings in connection with property delinquent for taxes; to limit the time within which actions may be brought; to prescribe certain limitations with respect to rates of taxation; to prescribe certain powers and duties of certain officers, departments, agencies, and political subdivisions of this state; to provide for certain reimbursements of certain expenses incurred by units of local government; to provide penalties for the violation of this act; and to repeal acts and parts of acts," by amending section 44 (MCL 211.44), as amended by 2000 PA 364.

The People of the State of Michigan enact:

Sec. 44. (1) Upon receipt of the tax roll, the township treasurer or other collector shall proceed to collect the taxes. The township treasurer or other collector shall mail to each taxpayer at the taxpayer's last known address on the tax roll or to the taxpayer's designated agent a statement showing the description of the property against which the tax is levied, the taxable value of the property, and the amount of the tax on the property. If a tax statement is mailed to the taxpayer, a tax statement sent to a taxpayer's designated agent may be in a summary form or may be in an electronic data processing format. If the tax statement information is provided to both a taxpayer and the taxpayer's designated agent, the tax statement mailed to the taxpayer may be identified as an informational copy. A township treasurer or other collector electing to send a tax statement to a taxpayer's designated agent or electing not to include an itemization in the manner described in subsection (10)(d) in a tax statement mailed to the taxpayer shall, upon request, mail a detailed copy of the tax statement, including an itemization of the amount of tax in the manner described by subsection (10)(d), to the taxpayer without charge.

(2) The expense of preparing and mailing the statement shall be paid from the county, township, city, or village funds. Failure to send or receive the notice does not prejudice the right to collect or enforce the payment of the tax. The township treasurer shall remain in the office of the township treasurer at some convenient place in the township on each Friday in the month of December, from 9 a.m. to 5 p.m. to receive taxes, but shall receive taxes upon a weekday when they are offered. However, if a Friday in the month of December is Christmas eve, Christmas day, New Year's eve, or a day designated by the township as a holiday for township employees, the township treasurer is not required to remain in the office of the township treasurer on that Friday, but shall remain in the office of the township treasurer at some convenient place in the township from 9 a.m. to 5 p.m. on the day most immediately preceding that Friday that is not Christmas eve, Christmas day, New Year's eve, or a day designated by the township as a holiday for township employees, to receive taxes.

(3) Except as provided by subsection (7), on a sum voluntarily paid before February 15 of the succeeding year, the local property tax collecting unit shall add a property tax administration fee of not more than 1% of the total tax bill per parcel. However, unless otherwise provided for by an agreement between the assessing unit and the collecting unit, if a local property tax collecting unit other than a village does not also serve as the local assessing unit, the excess of the amount of property tax administration fees over the expense to the local property tax collecting unit in collecting the taxes, but not less than 80% of the fee imposed, shall be returned to the local assessing unit. A property tax administration fee is defined as a fee to offset costs incurred by a collecting unit in assessing property values, in collecting the property tax levies, and in the review and appeal processes. The costs of any appeals, in excess of funds available from the property tax administration fee, may be shared by any taxing unit only if approved by the governing body of the taxing unit. Except as provided by subsection (7), on all taxes paid after February 14 and before March 1 the governing body of a city or township may authorize the treasurer to add to the tax a property tax administration fee to the extent imposed on taxes paid before February 15 and a late penalty charge equal to 3% of the tax. The governing body of a city or township may waive interest from February 15 to the last day of February on a summer property tax that has been deferred under section 51 or any late penalty charge for the homestead property of a senior citizen, paraplegic, quadriplegic, hemiplegic, eligible serviceperson, eligible veteran, eligible widow or widower, totally and permanently disabled person, or blind person, as those persons are defined in chapter 9 of the income tax act of 1967, 1967 PA 281, MCL 206.501 to 206.532, if the person makes a claim before February 15 for a credit for that property provided by chapter 9 of the income tax act of 1967, 1967 PA 281, MCL 206.501 to 206.532, if the person presents a copy of the form filed for that credit to the local treasurer, and if the person has not received the credit before February 15. The governing body of a city or township may waive interest from February 15 to the last day of February on a summer property tax deferred under section 51 or any late penalty charge for a person's property that is subject to a farmland development rights agreement recorded with the register of deeds of the county in which the property is situated as provided in section 36104 of the natural resources and environmental protection act, 1994 PA 451, MCL 324.36104, if the person presents a copy of the development rights agreement or verification that the property is subject to a development rights agreement before February 15. A 4% county property tax administration fee, a property tax administration fee to the extent imposed on and if authorized under subsection (7) for taxes paid before March 1, and interest on the tax at the rate of 1% per month shall be added to taxes collected by the township or city treasurer after the last day of February and before settlement with the county treasurer, and the payment shall be treated as though collected by the county treasurer. If the statements required to be mailed by this section are not mailed before December 31, the treasurer shall not impose a late penalty charge on taxes collected after February 14.

(4) The governing body of a local property tax collecting unit may waive all or part of the property tax administration fee or the late penalty charge, or both. A property tax administration fee collected by the township treasurer shall be used only for the purposes for which it may be collected as specified by subsection (3) and this subsection. If the bond of the treasurer, as provided in section 43, is furnished by a surety company, the cost of the bond may be paid by the township from the property tax administration fee.

(5) If apprehensive of the loss of personal tax assessed upon the roll, the township treasurer may enforce collection of the tax at any time, and if compelled to seize property or bring an action in December may add, if authorized under subsection (7), a property tax administration fee of not more than 1% of the total tax bill per parcel and 3% for a late penalty charge.

(6) Along with taxes returned delinquent to a county treasurer under section 55, the amount of the property tax administration fee prescribed by subsection (3) that is imposed and not paid shall be included in the return of delinquent taxes and, when delinquent taxes are distributed by the county treasurer under this act, the delinquent property tax administration fee shall be distributed to the treasurer of the local unit who transmitted the statement of taxes returned as delinquent. Interest imposed upon delinquent property taxes under this act shall also be imposed upon the property tax administration fee and, for purposes of this act other than for the purpose of determining to which local unit the county treasurer shall distribute a delinquent property tax administration fee, any reference to delinquent taxes shall be considered to include the property tax administration fee returned as delinquent for the same property.

(7) The local property tax collecting treasurer shall not impose a property tax administration fee, collection fee, or any type of late penalty charge authorized by law or charter unless the governing body of the local property tax collecting unit approves, by resolution or ordinance adopted after December 31, 1982, an authorization for the imposition of a property tax administration fee, collection fee, or any type of late penalty charge provided for by this section or by charter, which authorization shall be valid for all levies that become a lien after the resolution or ordinance is adopted. However, unless otherwise provided for by an agreement between the assessing unit and the collecting unit, a local property tax collecting unit that does not also serve as the assessing unit shall impose a property tax administration fee on each parcel at a rate equal to the rate of the fee imposed for city or township taxes on that parcel.

(8) The annual statement required by 1966 PA 125, MCL 565.161 to 565.164, or a monthly billing form or mortgagor passbook provided instead of that annual statement shall include a statement to the effect that a taxpayer who was not mailed the tax statement or a copy of the tax statement by the township treasurer or other collector shall receive, upon request and without charge, a copy of the tax statement from the township treasurer or other collector or, if the tax statement has been mailed to the taxpayer's designated agent, from either the taxpayer's designated agent or the

township treasurer or other collector. A designated agent who is subject to 1966 PA 125, MCL 565.161 to 565.164, and who has been mailed the tax statement for taxes that became a lien in the calendar year immediately preceding the year in which the annual statement may be required to be furnished shall mail, upon request and without charge to a taxpayer who was not mailed that tax statement or a copy of that tax statement, a copy of that tax statement.

(9) For taxes levied after December 31, 2001, if taxes levied on qualified real property remain unpaid on February 15, all of the following shall apply:

(a) The unpaid taxes on that qualified real property shall be collected in the same manner as unpaid taxes levied on personal property are collected under this act.

(b) Unpaid taxes on qualified real property shall not be returned as delinquent to the county treasurer for forfeiture, foreclosure, and sale under sections 78 to 79a.

(c) If a county treasurer discovers that unpaid taxes on qualified real property have been returned as delinquent for forfeiture, foreclosure, and sale under sections 78 to 79a, the county treasurer shall return those unpaid taxes to the appropriate local tax collection unit for collection as provided in subdivision (a).

(10) As used in this section:

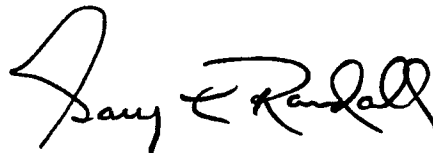
(a) "Designated agent" means an individual, partnership, association, corporation, receiver, estate, trust, or other legal entity that has entered into an escrow account agreement or other agreement with the taxpayer that obligates that individual or legal entity to pay the property taxes for the taxpayer or, if an agreement has not been entered into, that was designated by the taxpayer on a form made available to the taxpayer by the township treasurer and filed with that treasurer. The designation by the taxpayer shall remain in effect until revoked by the taxpayer in a writing filed with the township treasurer. The form made available by the township treasurer shall include a statement that submission of the form allows the treasurer to mail the tax statement to the designated agent instead of to the taxpayer and a statement notifying the taxpayer of his or her right to revoke the designation by a writing filed with the township treasurer.

(b) "Qualified real property" means buildings and improvements located upon leased real property that are assessed as real property under section 2(1)(c), except buildings and improvements exempt under section 9f, if the value of the buildings or improvements is not otherwise included in the assessment of the real property.

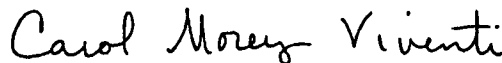
(c) "Taxpayer" means the owner of the property on which the tax is imposed.

(d) When describing in subsection (1) that the amount of tax on the property must be shown in the tax statement, "amount of tax" means an itemization by dollar amount of each of the several ad valorem property taxes and special assessments that a person may pay under section 53 and an itemization by millage rate, on either the tax statement or a separate form accompanying the tax statement, of each of the several ad valorem property taxes that a person may pay under section 53. The township treasurer or other collector may replace the itemization described in this subdivision with a statement informing the taxpayer that the itemization of the dollar amount and millage rate of the taxes is available without charge from the local property tax collecting unit.

This act is ordered to take immediate effect.



Clerk of the House of Representatives.



Secretary of the Senate.

Approved _____

Governor.